

ORIGINAL

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5 Attorneys for Defendant
 RSA Data Security, Inc.

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 Oct 25 3 28 PM '95
 RICHARD J. JENNIS
 U.S. DISTRICT COURT
 NO. DIST. OF CAL. S.D.

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 8 UNITED STATES DISTRICT COURT
 9 NORTHERN DISTRICT OF CALIFORNIA
 10 SAN JOSE DIVISION

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| 11 ROGER SCHLAFLY, |) | CASE NO.: C 94 20512 SW (PVT) |
| |) | |
| 12 Plaintiff, |) | DECLARATION OF THOMAS E. |
| |) | MOORE III IN SUPPORT OF |
| 13 vs. |) | DEFENDANT RSA DATA SECURITY, |
| |) | INC.'S OPPOSITION TO THE |
| 14 PUBLIC KEY PARTNERS and RSA DATA |) | MOTION TO INTERVENE PURSUANT |
| 15 SECURITY, INC., |) | TO FRCP 24(a) BY CARO-KANN |
| |) | CORPORATION |
| 16 Defendants. |) | |
| |) | DATE: November 15, 1995 |
| |) | TIME: 10:00 a.m. |
| |) | BEFORE: Hon. Spencer |
| |) | Williams |

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 19 I, Thomas E. Moore III, declare:

20 1. I am an attorney duly licensed to practice law in the
 21 courts of the State of California and before the courts of this
 22 District. I am an employee of the law firm of Tomlinson Zisko
 23 Morosoli & Maser, counsel of record for defendant RSA Data
 24 Security, Inc. ("RSA"). I have personal knowledge of each and
 25 every fact set forth below and can competently testify thereto.
 26 2. Plaintiff Roger Schlafly filed this action against a
 27 California General Partnership, Public Key Partners ("PKP") and
 28 one of its two partners, RSA, in July 1994. At that time, PKP

1 had the exclusive rights to sublicense technology covered by
2 patents issued to Stanford University and to the Massachusetts
3 Institute of Technology ("MIT"). Mr. Schlafly's complaint
4 alleges: (i) that the Stanford and MIT Patents are invalid; (ii)
5 that the defendants PKP and RSA are liable for a variety of
6 business torts; and (iii) that the defendants are liable for a
7 variety of alleged antitrust violations under both Sections 1 and
8 2 of the Sherman Act (15 U.S.C. §§ 1, 2).

9 3. The other partner in PKP is a wholly owned subsidiary
10 of a company called Cylink Corporation. Its subsidiary, Caro-
11 Kann Corporation ("CKC") was formed solely for the purpose of
12 being RSA's partner in the PKP Partnership. Prior to the time
13 that Mr. Schlafly filed his action in July 1994 against RSA and
14 PKP, there were already significant disputes between the partners
15 in PKP, RSA and CKC, and CKC's parent, Cylink. They were already
16 litigating: (i) a state court ordered arbitration concerning
17 various alleged rights and breaches of the PKP partnership
18 agreement; and (ii) a federal court action filed by Cylink
19 against RSA to invalidate the MIT Patent and RSA's counterclaim
20 that Cylink had been infringing that MIT Patent. In fact,
21 Mr. Schlafly's complaint in this lawsuit includes an express
22 allegation that Cylink's separate action against RSA to
23 invalidate the MIT Patent estops RSA from defending the validity
24 of the MIT Patent.

25 4. Despite their disagreements, the PKP partners readily
26 selected Thomas R. Hogan as counsel for PKP. Mr. Hogan does not
27 represent either RSA or Cylink/CKC in any other litigation.

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1 5. The potential for conflict in PKP's counsel's repre-
2 sentation of PKP has always existed since Mr. Schlafly first
3 filed his lawsuit in July 1994. For example, Cylink/CKC had
4 already asserted that the MIT Patent was invalid prior to
5 Schlafly's filing this action which is in part to invalidate the
6 MIT Patent. This is contrary to RSA's interests. Also, during
7 the past year, Cylink/CKC have made veiled threats against RSA's
8 customers with respect to the Stanford Patents. As a
9 consequence, RSA filed its own lawsuit to invalidate the Stanford
10 Patents this past September.

11 6. I have been the attorney in my office primarily
12 responsible for defending RSA in this litigation filed by
13 Mr. Schlafly. Despite the potential for conflict between the PKP
14 partners over PKP's representation in this litigation, Mr. Hogan
15 and I have consistently cooperated in the defense of this action.
16 Mr. Hogan and his staff have defended the validity of the
17 Stanford Patents against Mr. Schlafly's claims. My colleagues
18 and I have defended the validity of the MIT Patent. Neither of
19 us has helped or hindered the other on patent validity issues,
20 and we have an express understanding that neither of us will help
21 or hinder each other on patent validity issues. As to the joint
22 issues, such as Mr. Schlafly's business tort and antitrust
23 claims, Mr. Hogan and I have cooperated and coordinated our
24 discovery and motion work.

25 7. Under our understanding regarding the patent validity
26 issues in this case, I do not believe that any potential conflict
27 in PKP's representation will become an actual conflict. To the
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1 best of my belief, PKP has been, and will continue to be,
2 perfectly capable of defending the Stanford Patents.

3 8. On May 30, 1995, Mr. Schlafly filed motions for
4 partial summary judgment to invalidate the Stanford Patents and
5 the MIT Patent. Mr. Hogan then successfully filed a motion under
6 Fed. R. Civ. P. 56(f) for the ability to conduct discovery prior
7 to the hearing. As a consequence, at a July 12, 1995 evidentiary
8 hearing and status conference in this case, Magistrate Trumbull
9 ordered that the defendants file their opposition papers to
10 Schlafly's motion on October 6, 1995, as well as any of the
11 defendants' own motions for partial summary judgment.

12 9. We have conducted discovery with Magistrate Trumbull's
13 scheduling order in mind. As a result, we have committed
14 considerable time, energy and expense toward the timely filing of
15 those potentially dispositive motions. Mr. Schlafly, PKP and RSA
16 timely filed affirmative motions for partial summary judgment on
17 October 6, 1995. Mr. Schlafly took the opportunity to revise and
18 refile his motion for partial summary judgment. The defendants
19 moved for partial summary judgment on the business tort and
20 antitrust claims. These motions are pending and scheduled to be
21 heard on December 6, 1995. The parties' opposition papers to the
22 summary judgment motions are due November 15, 1995, the date this
23 present motion is scheduled to be heard.

24 10. Meanwhile, in the arbitration between Cylink/CKC and
25 RSA, the Panel entered its order on September 6, 1995. A copy of
26 that Order is attached to CKC's Declaration of Bryan Wilson as
27 Exhibit 1. Part of the Order was a gratuitous suggestion by the
28 Panel that RSA customers might, under certain circumstances, be

1 infringing the Stanford Patents. It was at this time that
 2 CKC/Cylink began to make their veiled threats against RSA's
 3 customers. To protect its customers, RSA had little choice but
 4 to file its own action in federal court challenging the validity
 5 and scope of the Stanford Patents. A copy of that complaint is
 6 attached as Exhibit 3 of CKC's Wilson Declaration. The
 7 defendants in RSA's action are Cylink, CKC and Stanford
 8 University. This action is now pending before Judge Orrick in
 9 San Francisco.

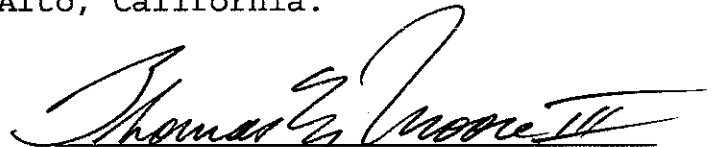
10 11. Although defendants' response to RSA's complaint was
 11 due on October 9, 1995, they requested an extension. Attached
 12 hereto as Exhibit A is a true and correct copy of their letter
 13 requesting that extension. RSA assumed that the request was
 14 made, in part, so that defendants could prepare a counterclaim
 15 against RSA in that litigation before Judge Orrick for a
 16 declaration that the Stanford Patents are valid, since RSA is
 17 suing to invalidate the Stanford Patents in that litigation. RSA
 18 agreed to the extension as a matter of professional courtesy.
 19 But instead, only one day after its response was originally due
 20 in RSA's federal litigation, CKC filed this motion to intervene
 21 and file a counterclaim against RSA in Mr. Schlafly's action for
 22 a declaration that the Stanford Patents are valid. CKC/Cylink
 23 gave RSA no advance notice that they intended to sue RSA in this
 24 litigation brought by Mr. Schlafly.

25 12. Then, on October 20, 1995, the defendants CKC and
 26 Cylink finally answered and counterclaimed against RSA in the
 27 Stanford Patent litigation before Judge Orrick. They
 28 counterclaimed for contributory infringement and inducing

1 infringement of the Stanford Patents. They did not counterclaim
 2 for a declaration that the Stanford Patents are valid in the
 3 action before Judge Orrick. A true and correct copy of that
 4 Answer and Counterclaim is attached hereto as Exhibit B.

5 13. In response to Mr. Schlafly's amended complaint, PKP
 6 asserted a counterclaim against Mr. Schlafly for infringement of
 7 the Stanford Patents. On behalf of RSA, I did not direct counsel
 8 for PKP to assert this counterclaim. This direction could only
 9 have come from CKC, as one of the partners in PKP.

10 I declare under penalty of perjury under the laws of the
 11 United States that the foregoing is true and correct. Executed
 12 on October 25, 1995 in Palo Alto, California.

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 14 Thomas E. Moore III
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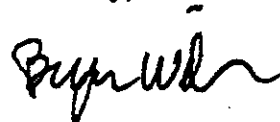
Re: RSA Data Security v. Cylink, et al., No. C95-03256 WHO

Dear Mr. Busselle:

I am writing to request your agreement to a brief extension of time for Cylink and Caro-Kann to respond to the Complaint in this matter. With your approval, we would like to extend the response date to October 16.

Please let me know if this is agreeable to you. If so, I will prepare an appropriate stipulation. Thank you for your consideration.

Sincerely,



Bryan Wilson

cc: Patrick J. Flinn, Esq.

B

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Attorneys for Defendants
CYLINK CORPORATION and CARO-KANN CORPORATION

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

RSA DATA SECURITY, INC., a
Delaware Corporation,

Plaintiff,

v.

CYLINK CORPORATION, a California
Corporation, CARO-KANN
CORPORATION, a California
Corporation and THE BOARD OF
TRUSTEES OF TH LELAND STANFORD
JUNIOR UNIVERSITY, a California
Corporation

Defendants.

No. C95-03256 MMC

**ANSWER AND COUNTERCLAIM
AND DEMAND FOR JURY TRIAL**

ANSWER AND COUNTERCLAIM
AND DEMAND FOR JURY TRIAL
NO. C95-03256 MMC
pa-36618

EXHIBIT "B"

COME NOW Defendants Cylink Corporation ("Cylink"), CARO-KANN Corporation ("CKC"), and The Board of Trustees of The Leland Stanford Junior University ("Stanford"), hereinafter collectively referred as to "Defendants," and answer the Complaint for Declaratory Relief and Injunctive Relief, and Demand for Jury Trial (hereinafter the "Complaint") of RSA Data Security, Inc. ("RSADSI") as follows:

1. Defendants admit that RSADSI is attempting to plead an Action for Declaratory Judgment that United States Patents 4,200,770, 4,218,582, and 4,424,414 (the "Stanford Patents") are invalid, unenforceable and not infringed by RSADSI. Defendants admit that portions of the Declaratory Judgment Act appear at 28 U.S.C. §§ 2201, 2202, and that certain of the Patent Laws of the United States appear at Title 35 of the United States Code. Defendants deny any averment that the Stanford Patents are in fact invalid, unenforceable or that RSADSI is not in violation of the rights held by the lawful owners and licensees of the patents. Defendants deny all other averments of paragraph 1 of the Complaint.

2. Defendants admit that this Court has jurisdiction in this case and that venue is proper in this Court. Defendants deny all other averments of paragraph 2 of the Complaint.

3. Defendants deny the averments of paragraph 3 of the Complaint.

4. Defendants admit that RSADSI has its principal place of business in Redwood City, California. Defendants are without knowledge or information sufficient to form a belief as to the truth of the remaining averments of paragraph 4, which therefore stand denied.

5. Defendants admit that Cylink is, and has been at the relevant times, a California corporation with its principal place of business in Sunnyvale, California. Defendants admit that Cylink is in the business of developing, manufacturing and selling data encryption software and hardware as well as other products. Defendants deny all other averments of paragraph 5 of the Complaint.

6. Defendants admit that CKC is, and has been at the relevant times, a California corporation with its principal place of business in Sunnyvale, California. Defendants admit that

1 CKC is a wholly-owned subsidiary of Cylink. Defendants deny all other averments of paragraph 6
2 of the Complaint.

3 7. Defendants admit that Stanford is, and has been at the relevant times, a body having
4 corporate powers under the laws of the State of California. Defendants admit that in the Complaint
5 RSADSI has collectively referred to Cylink, CKC and Stanford as "Defendants." Defendants deny
6 all other averments of paragraph 7 of the Complaint.

7 8. Defendants admit that on or about April 29, 1980, U.S. Patent No. 4,200,770 entitled
8 "Cryptographic Apparatus and Method" (the "Diffie-Hellman Patent") was issued to inventors
9 Martin E. Hellman, Whitfield Diffie and Ralph C. Merkle. Defendants deny all other averments of
10 paragraph 8 of the Complaint.

11 9. Defendants admit that on or about August 19, 1980, U.S. Patent No. 4,218,582
12 entitled "Public Key Cryptographic Apparatus and Method" (the "Hellman-Merkle Patent") was
13 issued to Martin E. Hellman and Ralph C. Merkle. Defendants deny all other averments of
14 paragraph 9 of the Complaint.

15 10. Defendants admit that on or about January 3, 1984, U.S. Patent No. 4,424,414 entitled
16 "Exponentiation Cryptographic Apparatus and Method" (the "Pohlig-Hellman Patent") was issued to
17 Martin E. Hellman and Steven C. Pohlig. Defendants deny all other averments of paragraph 10 of
18 the Complaint.

19 11. Defendants admit that Stanford is the assignee (from the inventors) of all right, title
20 and interest in and to the Stanford Patents, that Stanford has granted a license to Cylink allowing
21 Cylink to practice the technology claimed in the Stanford Patents. Defendants further admit that
22 CKC currently holds the exclusive sublicensing rights to the Stanford Patents. Defendants deny all
23 other averments of paragraph 11 of the Complaint.

24 12. Defendants admit that RSADSI has been granted a license by Stanford to make, use
25 and sell products incorporating the inventions claimed in the Stanford Patents. Defendants deny all
26 other averments of paragraph 12 of the Complaint.

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38. Martin E. Hellman, Whitfield Diffie and Ralph C. Merkle have assigned all right, title and interest in and to the Diffie-Hellman Patent to The Board of Trustees of The Leland Stanford Junior University ("Stanford"). This assignment to Stanford is valid and enforceable.

39. Martin E. Hellman and Ralph C. Merkle have assigned all right, title and interest in and to the Hellman-Merkle Patent to Stanford. This assignment to Stanford is valid and enforceable.

40. CKC has been granted the exclusive right to sublicense the right to make, use and sell products incorporating the inventions claimed in the Diffie-Hellman and Hellman-Merkle Patents. This license agreement is valid and enforceable, and provides CKC with standing to bring a claim against a party attempting to sublicense others to make, use or sell inventions claimed in the Diffie-Hellman and Hellman-Merkle Patents. The Stanford/CKC License also provides CKC with standing to bring a claim against a party contributing to or inducing another party to attempt to sublicense the right to make, use or sell inventions claimed in the Diffie-Hellman and Hellman-Merkle Patents.

41. Upon information and belief, customers of RSADSI are directly infringing the Diffie-Hellman and Hellman-Merkle Patents by, among other things, making copies of software incorporating inventions claimed in the Diffie-Hellman and Hellman-Merkle Patents, and by purporting to license others to use software incorporating inventions claimed in the Diffie-Hellman and Hellman-Merkle Patents.

42. Upon information and belief, RSADSI is selling to its customers a software "tool kit" including source code and object code which incorporates inventions claimed in the Diffie-Hellman and Hellman-Merkle Patents. RSADSI knows that its customers intend to make copies of this software, and/or to modify the source code substantially, and/or to use this software as a component in other software which the customers will license to third parties, all of which will constitute acts of direct infringement of the Diffie-Hellman and Hellman-Merkle Patents by RSADSI's customers. RSADSI specifically purports to grant the right to its tool kit customers to make, use and sell products covered by the Diffie-Hellman and Hellman-Merkle patents.

43. The component software being sold by RSADSI to its customers is not suitable for substantial noninfringing use by RSADSI's customers.

44. The component software being sold by RSADSI to its customers is a material part of the patented invention in the Diffie-Hellman and Hellman-Merkle Patents.

45. Upon information and belief, RSADSI's contributory infringing of the Diffie-Hellman and Hellman-Merkle Patents has been deliberate, knowing, and in wanton disregard of the intellectual property rights of CKC.

46. Upon information and belief, RSADSI will continue its contributory infringement of the Diffie-Hellman and Hellman-Merkle Patents unless enjoined by this Court.

47. CKC has been damaged by the contributory infringement of RSADSI in an amount to be proven at trial.

48. WHEREFORE, CKC prays for relief as hereinafter set forth.

CLAIM 2

(Inducement to Infringe Patents)

49. This is a claim by CKC against RSADSI for inducement to infringe patents under 35 U.S.C. § 271(b)

50. CKC incorporates herein all of the averments of paragraphs 35 through 42 above.

51. Upon information and belief, RSADSI knows, should know, and even specifically intends that its customers will make copies of software incorporating inventions claimed in the Diffie-Hellman and Hellman-Merkle Patents, and/or modify the source code substantially, and/or use this software as a component in other software which the customers will license to third parties, all of which will constitute acts of direct infringement of the Diffie-Hellman and Hellman-Merkle Patents by RSADSI's customers. RSADSI specifically purports to grant the right to its tool kit customers to make, use and sell products-covered by the Diffie-Hellman and Hellman-Merkle patents.

52. Upon information and belief, by these acts RSADSI is knowingly and-Intentionally inducing infringement of the Diffie-Hellman and Hellman-Merkle Patents by its customers, in wanton disregard of the intellectual property rights of CKC.

ANSWER AND COUNTERCLAIM
AND DEMAND FOR JURY TRIAL
NO. C95-03256 MMC

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62. As a direct and proximate result of RSADSI's false and misleading representations referenced above, Cylink and CKC have suffered damages and have been, and are likely to be, irreparably injured.

PRAYER

WHEREFORE, Cylink and CKC pray that this Court enter judgment in favor of Cylink and CKC and against RSADSI, granting them the following relief:

(a) Preliminary and permanent injunctions against RSADSI and its officers, employees, attorneys, agents, and others acting in concert or participation with them, from inducing infringement and/or contributing to infringement of the Diffie-Hellman and Hellman-Merkle Patents;

(b) Preliminary and permanent injunctions against RSADSI and its officers, employees, attorneys, agents, and others acting in concert or participation with them, from engaging in any acts of false or misleading advertising, statements, or publications concerning: (1) whether one needs a license to the Diffie-Hellman or Hellman-Merkle Patents to practice public key cryptography, or (2) whether one needs a license to the Diffie-Hellman and Hellman-Merkle Patents to make copies of RSADSI's tool kit software, or to make substantial changes to RSADSI's tool kit source code, or to license third parties to use software originating in RSADSI's tool kit software; or (3) whether RSADSI holds sufficient rights under the patents to grant its customers the right to make, and sell products covered by the patents;

(c) Damages in an amount to be proven at trial;

(d) Treble damages according to proof at trial;

(e) Costs and attorney fees and other expenses of litigation; and

(f) Such other and further relief as this Court deems equitable and just.

1 **DEMAND FOR JURY TRIAL**

2 Defendants and Counter-Claimants also hereby demand trial by jury.

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5 Dated: October 20, 1995

6 ALSTON & BIRD

7
8 MORRISON & FOERSTER

9
10 By: 

11 Michael M. Carlson
12 Attorney for Defendants

13 Attorneys for Defendant
14 THE BOARD OF TRUSTEES OF
15 THE LELAND STANFORD JUNIOR
16 UNIVERSITY and
17 Defendants/Counter-Claimants
18 CYLINK CORPORATION and
19 CARO-KANN CORPORATION
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28 ANSWER AND COUNTERCLAIM
AND DEMAND FOR JURY TRIAL
NO. C95-03256 MMC

PROOF OF PERSONAL SERVICE

(FRCivP 5(b)) *or*
(CCP 1011, 2015.5)

I, Leland Rowton, declare as follows:

I am employed by Western Messenger Service, whose address is 75 Columbia, San Francisco, CA 94102. I am not a party to the within cause; and I am over the age of eighteen years.

I further declare that on October 20, 1995, I hand-served a copy of

ANSWER TO COMPLAINT

on the following:

James R. Busselle, Esq.
Thomas E. Moore, III, Esq.
Mary E. O'Byrne, Esq.
Tomlinson Zisko Morosoli & Maser
200 Page Mill Road, Second Floor
Palo Alto, CA 94306

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed at Palo Alto, California, this 20th day of October, 1995.

Leland Rowton
(typed)

(signature)